

United States Department of State
Bureau of International Narcotics Matters

International Narcotics Control Strategy Report

March 1988

PRODUCTION ESTIMATES

The National Narcotics Intelligence Consumers Committee has developed, through its Subcommittee on Production, preliminary estimates on illicit narcotics production in calendar year 1987 (see below). These same data are published in the NNICC Report. Certain year-to-year changes in estimates are the function of changes in methodology and improvements in data, and may not indicate increased or decreased production. Data have been rounded to the nearest zero or five. (See footnotes.)

FOREIGN PRODUCTION ESTIMATES
ILLICIT NARCOTICS
1985-1988

<u>Country</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>	<u>1985</u>
<u>OPIUM (mt)</u>				
Afghanistan	400- 800	400- 800	400- 500	400-500
Iran ¹	200- 400	200- 400	200- 400	200-400
Pakistan ²	100- 200	135- 160	140- 160	40- 70
SoWest Asia	700-1400	735-1360	740-1060	640-970
Burma	900-1200	925-1230	700-1100	490
Laos	190- 300	150- 300	100- 290	100
Thailand ³	35	20- 45	20- 25	35
SoEast Asia	1125-1535	1095-1575	820-1415	625
Mexico ⁴	30	45- 55	35- 50	25- 45
Other Opium ⁵	27	27		
Total	1882-2992	1902-3017	1595-2565	1290-1640
<u>COCA (mt)</u>				
Bolivia	50- 73,700	46- 67,000	44- 52,920	42-53,200
Colombia	19- 25,300	18- 23,000	12- 13,600	12,400
Peru	114,450	98-121,000	95-120,000	95,200
Ecuador	x - 200	x - 400	1,000	1,900
Other Coca	(See Note)			
Total	185-213650	162-211400	152-188320	150-162700
<u>MARIJUANA (mt)</u>				
Mexico ⁶	5,970	5,970-7,130	4,000-6,000	3,000-4,000
Colombia ⁷	1,650	3,435-7,760	2,530-3,630	2,000-4,000
Jamaica	300	325- 535	1,485-2,025	625-1,280
Belize	180	200	550	645
Other	1,000-2,000	1,000-2,000	800-1,000	800-1,000
Total	9,100-10100	10930-17625	9,365-13205	7,070-10925
<u>HASHISH</u>				
Lebanon	700	600	720	720
Pakistan	200	200	200	200
Afghanistan	200- 400	200 - 400	200 - 400	200 - 400
Morocco	- 60	- 60	30 - 60	30 - 60
Total	1160- 1360	1060 - 1260	1150 - 1380	1150 - 1380

and on delivering development assistance to the hilltribe population, reduction of the marijuana crop, and improvement of Thailand's enforcement operations. In Burma, INM will continue to support the opium eradication program which has not kept pace with expansion, urging that country to expand eradication into insurgent areas.

Pakistan has done well over the years in banning opium poppy from settled and merged areas, but now it must extend the long-standing ban on opium cultivation to the Dir and very much to the tribal areas like Bajaur and Mohmand, now the major centers for opium production. Much of the increased opium production in Southwest Asia is a response to local demand; Pakistan is still the dominant refiner of heroin intended for Western addicts. INM will continue to support eradication and enforcement and hopes to see improvement in destroying heroin laboratories, seizing contraband arresting major traffickers and breaking up distribution rings.

Turkey has proved effective in preventing diversion from its licit opium production, and has made inroads on illicit heroin refining and illegal opium cultivation. But, Turkey remains a major transit route to Europe and the United States; The National Police and Jandarma must increase their efforts to interdict illicit narcotics from Iran, Afghanistan and Pakistan, as well as control licit domestic opium production.

In Africa, INM will support small-scale enforcement projects to assist African governments confront the growing threats of heroin and cocaine, and build the expertise necessary for effective enforcement.

1989 Plans

The President's FY 1989 budget request for the Department was based upon a FY 1988 Congressional request of \$98,750,000 and the continuation of programs begun with the expanded FY 1987 budget. With passage of the Anti-Drug Abuse Act of 1986 (PL 99-570), Congress gave the Department of State an additional \$53,000,000, or a total of \$118,445,000 for FY 1989. The FY 1989 request of \$101,000,000 will enhance those program initiatives funded in FY 1987 and FY 1988 as well as start new efforts in crop eradication.

Latin America. The prominence of Latin America and the Caribbean in the cultivation, production and transportation of illicit drugs to the United States requires that more than one-half of International Narcotics Control resources be directed to eradication and interdiction in this hemisphere. This area serves as the source for all the cocaine, most of the marijuana, and about a third of the heroin entering the United States. Bolivia and Peru produce by far the major share of the coca leaf among the Andean countries, i.e., approximately 150,000 hectares. Although coca leaf production is also increasing significantly in Colombia, it still remains the predominant refiner for the world's supply of illicit cocaine.

Colombia, Mexico, Jamaica, Belize and Paraguay are significant cultivators of marijuana. Moreover, in addition to producing major quantities of marijuana, several Central American and Caribbean states also produce marijuana and along with Mexico, serve as important transit points for cocaine. Mexico also produces at least 30 percent of the heroin arriving in the United States.

VI. 1987 COUNTRY SUMMARIES

Afghanistan, which was denied certification in 1987, remains a major producer of opium and hashish as well as an important refiner of heroin. Opium production is estimated at 400-800 metric tons for 1987, with no expectation of reductions in 1988. There are indications that the regime in Kabul as well as the Soviets are encouraging opium production in some sectors for political reasons. An estimated 70 percent of its opium production and all of its heroin yield (as well as 90 percent of its hashish) is exported for consumption in the U.S., Europe and elsewhere, including the burgeoning addict population in Southwest Asia. Although there is an anti-smuggling unit in the Interior ministry, there is no known eradication program nor verified estimates on seizures or other enforcement actions. The Afghan Government does not cooperate with U.S. officials.

Argentina experienced a significant increase in cocaine trafficking in 1987, up to an estimated 500 kilograms per month or 6 metric tons a year. Refining of cocaine from Bolivian paste also increased to an estimated new high of 3.2 metric tons. The Government of Argentina has set destruction of cocaine labs as a priority for 1988. While cooperation with DEA and other U.S. Government agencies remains excellent, budget constraints limited the Alfonsin Administration's efforts to build upon its promising enforcement efforts of 1986. Consequently, arrests and seizures did not keep pace with the increase in trafficking and refining. There is, however, heightened public awareness, with political leaders of all persuasions acknowledging the seriousness of the problem.

Australia is not a producer of illicit narcotics and has yet to figure significantly as a transit country. It is, however, an important consumer of illicit narcotics produced or trafficked through Southeast Asia and the Pacific. The Australian Federal Police has identified drug trafficking as its highest priority. Australian enforcement agencies consider drug abuse to be the country's primary social problem. There is evident public awareness of the seriousness of the problem. U.S. objectives in Australia are similar to those in other developed countries, and include cooperation on curbing trafficking and supporting efforts to reduce demand.

The Bahamas is a major transit country for cocaine and marijuana destined for the United States. The Bahamian Government welcomed increased joint interdiction efforts in 1987, which included enlarging Operation BAT to a seven day, twenty-four hour mission capability. U.S.-Bahamian interdiction teams seized approximately 147 tons of marijuana and 25,000 pounds of cocaine. Both figures reflect unprecedented progress when measured against seizures in previous years. The U.S. and Bahamian Governments plan to strengthen joint interdiction capabilities further in 1988 through improved communications and radar coverage and through expanded maritime activities. By late 1987, the Bahamian Government announced plans to expand and strengthen narcotics law enforcement units in preparation for assuming a larger unilateral role in the interdiction of drugs and traffickers. Narcotics-related corruption, however, continued to be a serious concern in 1987, with few investigations or prosecutions of corrupt officials taking place. A Mutual Legal Assistance Treaty was negotiated with the Bahamas, and new Bahamian banking regulations have made money laundering more difficult.

remains to be done, however. Trafficking is expected to continue at high level response to increased cannabis and heroin use.

New Zealand is not a major narcotics producing or transit country, and narcotics problems do not have significant social, economic or political impact. There are no relationships with U.S. enforcement agencies and sharing of intelligence.

Nicaragua maintains that it has no drug problem, and officials deny that it supports or abets trafficking. There is little indication of cultivation, production or refining of illicit drugs, but there is information indicating past involvement of government officials. This support has taken the form of providing overflight clearance for drug-carrying aircraft, and even granting of landing rights. In 1986, a federal grand jury in Miami indicted Federico Vaughn, a close associate of Interior Minister Borge on the grounds that Vaughn had ties to the Medellin cocaine cartel in Colombia. No other indictments have been handed down.

Nigeria is a major transit country for both heroin and, to a lesser extent, for cocaine. Consequently, it is experiencing problems of abuse of both drugs, as well as of amphetamines, methaqualone and Indian hemp. A substantial public awareness campaign was launched in 1987. There is good cooperation with DEA, but enforcement remains weak and there are indications of high level corruption.

Pakistan undertook a major program of crop eradication in 1987, including aerial spraying, but eradication gains were matched by expansion of cultivation to new areas, leaving net production essentially unchanged from the previous year. U.S. Government estimates of opium production range as high as 135-160 metric tons, approximately the same as in 1986. Pakistani opium production is being driven to an ever-greater extent by the country's fast-growing number of heroin addicts, now estimated to be in excess of 600,000, and Pakistan is probably a net importer of opium. The country's continuing major importance to the U.S. is as a refining site and transit point for Southwest Asian opium gum converted into heroin for the U.S. and European markets. U.S. assistance is aimed at improving the enforcement as well as the eradication capabilities of Pakistan, but local authorities are hard put to keep pace with the activities of major traffickers and refiners.

Panama continues to be the major Latin American center for laundering narcotics profits. U.S. agencies experienced mixed cooperation on money laundering investigations in 1987, ranging from good for DEA down to unsatisfactory for the FBI and others. Panama was successful last year in suppressing traffic in cocaine and precursor chemicals and is reducing its very small marijuana production. In February, Panama Defense Forces (PDF) Commander General Manuel Antonio Noriega was indicted on drug trafficking and drug-money laundering charges by federal grand juries sitting in Tampa and Miami. These cases are still pending. Some U.S. law enforcement authorities believe that General Noriega and the Panamanian Defense Forces cooperate only when it is in their interest to do so, and that full cooperation with the current regime in Panama is simply not possible.

Paraguay is a major marijuana producing and trafficking country, harvesting 3,000 tons of marijuana annually, most of which is shipped to Brazil and Argentina. There is evidence of cocaine refining and trafficking from Bolivia. There are also indications

MONEY LAUNDERING COUNTRY REPORTS

AFGHANISTAN: There are no reports of money-laundering.

ARGENTINA: Because of the existence of a large, technically illegal market in foreign exchange, which operates mainly with U.S. currency, the potential for money laundering in Argentina is high. However, neither DEA nor Argentine enforcement authorities have detected specific money laundering cases. Argentine Central Bank authorities have responsibility for the exchange houses dealing in foreign currency and have agreed to be fully cooperative with narcotics enforcement activities. The new drug law passed in late 1986 by the Senate provides 2-8 year prison terms and fines for individuals convicted of investing, transferring, etc. money derived from drug trafficking. The version still pending in the Chamber of Deputies contains a virtually identical provision. The Administration intends to press during the first half of 1988 for final Congressional approval of new narcotics legislation containing provisions related to asset seizure, precursor chemicals and money laundering.

AUSTRALIA: There are no indications of major money laundering activity.

BAHAMAS: The extent to which The Bahamas is a money-laundering country is difficult to measure. The tightening of Central Bank regulations and banking and trust company operating procedures/policies have discouraged if not eliminated the easy deposit of "suitcases" of money. Bank secrecy laws make it difficult to trace the transfer of large cash deposits from third countries to banks in The Bahamas. However, The Bahamas has passed a new law on the seizure and forfeiture of drug proceeds and the reciprocal enforcement of forfeiture decrees. The United States and The Bahamas have signed a Mutual Legal Assistance Treaty which should provide improved access to financial information and could assist in forfeiture of drug proceeds, but neither country has ratified the treaty, and The Bahamas has not yet enacted the needed implementing legislation. Prospects are dim for a Tax Information Exchange Agreement (TIEA). The Bahamas does not have a personal income tax and there is little incentive for the GCOB to enter into such an agreement.

There is no control over the laundering of money through the purchase of goods and services in the local economy. There is ample evidence of the lucrative and illicit profits derived from narcotics in the local economy. The Embassy estimates that at least ten percent of the economy is drug-related, reflecting payment for criminal actions as well as trafficker purchases of consumer goods and "clean" real estate investments.

BOLIVIA: Although some Bolivians are significantly involved in international trafficking, Bolivia is not regarded as a money laundering center. The problem of cultivation is paramount.

BULGARIA: We have no evidence that money laundering is carried out in Bulgaria. Access to Western hard currency is difficult, and the Bulgarian lev is not easily convertible. A 1986 law permits the GOB to confiscate all vehicles used in smuggling narcotics (whether or not they belong to the smuggler), except in cases where the vehicle's value "exceeds the gravity of the crime." GOB enforcement officials have advised that Bulgarian law also provides for seizure of narcotics-related assets such as

NIGERIA: As yet, money laundering is not an issue in Nigeria. Exchange controls and continuing uncertainties about the operation of foreign exchange markets have not made the Nigerian banking system attractive to money launderers. There is some concern that continuing liberalization of the economy may change this situation. The U.S. and Nigerian Justice Departments have signed an executive agreement on cooperation in criminal investigations, and the two countries have pledged to negotiate an MLAT.

PAKISTAN: Pakistan is not considered a money laundering country to date. It is believed that the major portion of the monies made trafficking in narcotics internationally remain outside the country until a need for funds develops. We are fairly certain that large transfers of funds do not take place through the legal banking system of Pakistan. The large and unregulated "hundi system" does accommodate many financial transfers.

PANAMA: As evidenced by the indictments returned against General Noriega, narcotics-related corruption in Panama is extensive, and features money-laundering. Panama is one of the world's largest offshore banking centers, and serves as the financial capital of Latin America. As a result of its geographic location, its tight banking and commercial secrecy laws, the prevalence of English as a second language, and the use of the U.S. dollar as local tender, Panamanian banks are being used to launder money for drug traffickers on a large-scale basis. The Government of Panama (GOP) enacted a new drug law in December 1986 which, for the first time, permits the government to seize anything of value used in the commission of a drug-related crime, including bank accounts. An important provision of the law allows for the seizure and penetration of secret accounts based on information from a foreign country, but virtually precludes Panamanian examination of bank accounts in the absence of specific, documented allegations from abroad.

Several operations and cases last year tested the Panamanian government's commitment to attack drug money laundering through its new law but reviews of its performance are mixed. It was a turbulent year for both the political system and for drug money laundering in Panama. The domestic unrest that began in June negatively affected the banking industry's liquidity and may have caused delays in GOP cooperation with the U.S. to combat money laundering in Panama. Consequently, while two fundamental features of a money laundering center -- secrecy and fiscal stability -- were undercut and apparently some drug money operations were deterred in 1987, large-scale narcodollar laundering has continued.

The Department of National Investigations (DENI) cooperated in the investigative portion of Operation Pisces, a three-year DEA investigation into money-laundering in New York, Miami, Los Angeles and Panama, ultimately freezing some \$14 million in over 200 bank accounts in 18 banks. The authentication of the seized documents needed for admission in U.S. court proceedings has been slow, but the Panamanian Attorney General continues to work with DEA and the Department of Justice to certify the documents. A Panamanian targeted in the Pisces operation is in custody, awaiting prosecution on money laundering charges pursuant to a complete prosecutorial package from the U.S. More than twelve million dollars remain frozen. Two million dollars comingled with non-drug money were released in October.